

INITIAL STATEMENT OF REASONS

CALIFORNIA INDUSTRIAL DEVELOPMENT FINANCING ADVISORY COMMISSION

Article 3, Section 6070 Title 10, Chapter 8 California Code of Regulations

INTRODUCTION

The California Industrial Development Financing Act provides through the issuance of industrial development bonds (IDB's) an alternative method of financing for small businesses in acquiring, construction, or rehabilitating industrial and energy development facilities in accordance with the criteria set forth in Section 91502.1 of the Act; all to the mutual benefit of the people of the state and to protect their health, welfare, and safety. By virtue of the passage of the Community Renewal Tax Relief Act of 2000 (HR 5662) which expanded the scope and dollar limit for the issuance of IDB's in federal designated Empowerment Zones, bonds issued in Empowerment Zones are IDB's, as defined by federal statute but, have no limit on the dollar amount of bond issuance. The proposed amendment to the California Industrial Development Financing Advisory Commission (CIDFAC) regulations, Section 6070.Fees; will modify a fee structure that imposes a financial hardship on potential Empowerment Zone borrowers. There are four communities designated as Empowerment Zones in California. These communities are required to have high unemployment and high poverty rates to receive that designation. The current CIDFAC fee structure, which is based on a maximum IDB par amount of \$10 million, has been a deterrent for financing projects in Empowerment Zones.

SECTION-BY-SECTION ANALYSIS

SECTION 6070. FEES.

1. Public Problem, Administrative Requirement or Other Condition or Circumstance that the Regulation is Intended to Address.

The amendment to the regulations will allow staff to reduce borrower fees for bond transactions with par amounts over \$10 million.

2. Specific Purpose of the Regulation.

Revised Section 6070 Fees; will reduce fees and eliminate a financial hardship on potential Empowerment Zone borrowers. The fee will be reduced for bonds with a par amount greater than \$10 million and up to \$20 million. For bonds issued above \$10

million the borrower will be charged a fixed fee of \$25,000. For bonds issued over \$20 million the borrower fee will be negotiated but shall not be less than \$25,000.

3. Necessity

The changes to Section 6070 will eliminate a deterrent to financing small business projects in federally designated Empowerment Zones.

4. Technical, Theoretical and/or Empirical Studies, Reports or Documents.

The Authority did not rely upon any technical, theoretical or empirical studies, reports or documents in proposing the adoption of this amended regulation.

5. Alternatives to the Regulation Considered by the Agency and the Agency's Reasons for Rejecting Those Alternatives.

No other alternatives were presented to or considered by the Authority. The amendment to the regulation is necessary to remove a financial hardship on potential Empowerment Zone borrowers.

6. Alternatives to the Proposed Regulatory Action that Would Lessen any Adverse Impact on Small Business.

The Authority has not identified any alternatives nor have any alternatives otherwise been identified and brought to the attention of the Authority that would lessen any adverse impact on small businesses. The amended regulation will have a positive effect on small businesses by reducing the borrower fees for bonds issued in Empowerment Zones.

7. Evidence Supporting Finding of No Significant Adverse Economic Impact on any Business.

There will be no adverse economic impact on any California businesses. In fact, the amended regulation will have a positive effect on California businesses by reducing the borrower fees for bonds issued in Empowerment Zones.